

RD AN No. 3618 (1951-R)
February 15, 2001

SUBJECT: Intermediary Relending Program - Management Control Review
Field Visits to Intermediaries and General Servicing Issues
on Intermediary Relending Program Loans

TO: State Directors, Rural Development

ATTN: Business Programs Directors

PURPOSE/INTENDED OUTCOME:

The loanmaking and loan servicing controls for the Rural Development Intermediary Relending Program (IRP) were reviewed and evaluated by the Management Control Review Team (MCRT) to assure effective controls are in place; assure regulations are properly disseminated and administered; detect weaknesses and inefficiencies; and identify corrective actions and procedures, when necessary. Both national and field office program delivery were reviewed and evaluated. The review identified a need for clarification on several issues.

This Administrative Notice (AN) is to provide guidance to State Office personnel on the desired frequency of servicing visits to intermediaries. In addition, this AN will provide guidance on general loan servicing issues identified during the review. The Agency is also emphasizing the need and requirement for State Offices to enter the IRP project data into the Rural Community Facilities Tracking System (RCFTS) and classify its loans to intermediaries at loan closing and again whenever there is a change in the original classification, in accordance with RD Instruction 1951-R, §1951.885. This guidance is also applicable to meeting the requirement contained in RD Instruction 4274-D, §4274.349(b), which deals with entering project data into RCFTS.

EXPIRATION DATE:
February 28, 2002

FILING INSTRUCTIONS:
Preceding RD Instruction 1951-R

COMPARISON WITH PREVIOUS AN:

There is no previous AN on this subject.

IMPLEMENTATION RESPONSIBILITIES:**Classification of IRP Loans.**

A review of RCFTS disclosed that, in most cases, IRP loans are not classified. In several cases, the loans were never entered into RCFTS. Effective immediately, each program manager must ensure that all IRP loans are entered into RCFTS and classified in accordance with RD Instruction 1951-R, § 1951.885. Furthermore, each program manager must ensure that changes in the original classification are entered promptly.

RCFTS is a management tool. Classification of loans assist in portfolio management and is an indication of the status of the IRP portfolio. Every effort should be made to ensure the information is classified at loan closing and that changes in loan classification after loan closing are reflected and updated in a timely fashion.

The IRP is growing, and it is important that the Agency properly monitor the intermediaries to minimize potential losses to the Government. The National Office is periodically reviewing classifications reported in RCFTS.

Field Visits to Intermediaries.

RD Instruction 1951-R, § 1951.882, discusses field visits by Agency personnel to intermediaries and the actions to be taken during the field visit. However, the instruction is silent on the frequency of the visits. These visits should occur, at a minimum, on an annual basis and more frequently if circumstances warrant. Field visits are an excellent servicing tool and are essential to ensure that funds are being used for intended purposes in accordance with applicable instructions. When the instructions are amended, this requirement will be addressed in greater detail.

Submission of Form RD 1951-4, “Report of IRP/RDLF Lending Activity.”

Submit these reports to the National Office on all problem and delinquent IRP rural development loan fund (RDLF) intermediary loans when 25 percent or more of the ultimate recipients’ loan portfolio is delinquent, the intermediary files for bankruptcy, or the IRP/RDLF revolving loan fund is insolvent. If the intermediary does not fall into these categories, Form RD 1951-4 should not be submitted to the National Office.

If you have any questions, please contact David W. Lewis, Senior Loan Specialist, Specialty Lenders Division, Servicing Branch, (202) 690-0797.

(Signed by William F. Hagy III)

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